

**State of Rhode Island and Providence Plantations**

**Public Utilities Commission**

**Minutes of Open Meeting Held April 7, 2005**

**Attendees:** Chairman Elia Germani, Commissioner Robert Holbrook, Steve Frias, Cindy Wilson, Thomas Massaro, Alan Nault, Douglas Hartley and Luly Massaro.

**Chairman Germani called the open meeting to order at 10:00 A.M. in the first-floor hearing room of the Public Utilities Commission.**

**Minutes of Open Meetings held March 24, 2005 and March 28 2005:** After review, Chairman Germani moved to approve the minutes. The motion was seconded by Commissioner Holbrook and passed. **Vote 2-0.**

**Competitive Telecommunications Service Providers:**

The following companies registered to provide telecommunications service in RI. The Division reviewed the registrations and recommended approval of:

2262(X19) – Deltel, Inc.

3670 – nni communications, Limited Partnership

After review, Chairman Germani moved to approve the registrations. The motion was seconded by Commissioner Holbrook and unanimously passed. **Vote 2-0.**

The following companies submitted tariff filings. The Division reviewed the tariff filings and does not recommend suspension of:

2535 – Cox RI Telcom LLC (tariff filings 3/16, 3/17, 3/18 & 3/21/05)

2426 – TCG Rhode Island (tariff filing 3/23/05)

2618 – AT&T Communications of NE, Inc. (tariffs filings 3/16 & 3/18/05)

2472 – Sprint Communications (tariff filing 3/18/05)

2736 – Conversent Communications of RI (tariff filing 3/18/05)

3596 – SBC Long Distance, Inc. (tariff filing 3/18/05)

3059 – Broadview Networks, Inc. (tariff filing 3/17/05)

After review, the Commission followed the Division's recommendation that the tariff filings be allowed to go into effect without suspension.

The following companies ceased operations and requested that their authority to operate be rescinded:

3537 – XO Long Distance Services, Inc.

3176 – XO Long Distance Services, Inc.

After review, Chairman Germani moved to rescind the authority of the companies. The motion was seconded by Commissioner Holbrook and unanimously passed. **Vote 2-0.**

**3195 – Verizon Rhode Island (VZ-RI)** – Review of VZ-RI's 2/8/05 proposed revisions to the Carrier-to-Carrier (C2C) Guidelines reflecting changes approved by NYPSC including changes to existing Hot Cut metrics, where applicable, to include Large Job and Batch. The Division filed a memorandum indicating that it has reviewed the revised

performance metrics and supports adoption of Verizon's proposed C2C guidelines changes. After review, Chairman Germani moved to approve Verizon's filing as submitted. The motion was seconded by Commissioner Holbrook and unanimously passed. **Vote 2-0.**

**3656 – Prudence Island Ferry, Inc. (PFI)** – The Commission discussed the appropriateness of PFI's proposed tariff advice filing to add language to Schedule A of its tariff that would provide eligibility requirements for discounted commuter tickets to holders of a RI driver's license with a Prudence Island address (zip code 02872) on the license. The Commission found that PFI's tariff advice filing is in effect a rate filing to increase revenues, PFI did not comply in submitting financial annual reports and the public comments opposed approval of the filing. After discussion, Chairman moved to reject PFI's tariff advice filing. The motion was seconded by Commissioner Holbrook and unanimously passed. **Vote 2-0.**

**3436 – New England Gas Co.** – Discussion related to the Company's proposed changes to the Gas Purchasing Incentive Plan ("GPIP"):

- After review of the Company and Division filings regarding the GPIP, Chairman Germani moved to approve NERGas' modified proposal to increase the mandatory purchases to 60% for April and October and to 70% for the remaining months of the year. The motion was seconded by Commissioner Holbrook and unanimously passed. **Vote 2-0.**
- The following areas of concern were discussed by the Commission:
  - 1) Commissioner Holbrook suggested delving into the Company's purchase record and queried why more discretionary purchases had not been made. He noted that the current penalty has, at times, been an impediment and may have interfered with the Company's decisions on purchasing additional gas supplies at good prices. He recommended eliminating the maximum penalty. Chairman Germani disagreed with elimination of the penalty. He stated that it was incumbent upon NERGas to request elimination of the penalty if the Company felt it interfered with the procurement process.
  - 2) Commissioner Holbrook expressed concern with a continuing, high undercollection in the deferred gas cost account, noting that the projected balance thru 10/31/05 of \$7.3 million exceeds 1% of revenues (the guideline in the GCR tariff). He stated that at this time, customers are paying for gas at a price that is below current costs. He preferred having smaller, more frequent rate increases that would avoid cost deferral over an extended period of time and result in less financial trauma on the Company and the customer when rates are finally adjusted to recover the deferred cost. He said that the Commission should address the undercollection and the Company should not be reluctant to approach the Commission whenever its undercollection exceeds the 1% guideline. Chairman Germani opined that the utility knows best when it needs revenues, and he stated that he has reservations about permitting frequent rate increases. Further, as a

matter of policy, he noted that he is not inclined to ask the Company to file for an increase. He said the Company is likely to do a better job of buying gas if it knows that it has to ask for increases in rates. Commissioner Holbrook noted that the Company is not especially motivated to file frequently because it is assured of reimbursement, whatever the under collection is, and receives interest on the balance until payment is received.

3) Commissioner Holbrook expressed concern with the 30 day notice required by law before a rate change is allowed to go into effect. He recommended that through legislation, the 30 days notice be reduced to 15 days for changes in the GCR tariff to alleviate the problem of not recovering gas costs in current rates. Chairman Germani opined that reducing the time period would be inappropriate from a procedural point of view. He supports the current 30 days notice period because it provides more notice to the customers, and it allows the parties to present their position on any rate increases. Further, he noted that if the Company feels that the 30 days notice requirement is financially harmful, it can approach the legislature for a change. Commissioner Holbrook disagreed, pointing out that the excessive delay only aggravates the need to reduce the deferred cost balance by making the amount to be recovered larger.

4) Commissioner Holbrook suggested amending the GPIIP so as to provide NEGas with the flexibility of purchasing additional gas supplies when market prices are favorable. He noted that the Company's suggested 'Circuit Breaker' mechanism or a price-buying guideline could remedy the situation. He recommended that NEGas, the Division, and the PUC staff work to develop some provisions that would allow for this. Chairman Germani supported the recommendation.

5) Commissioner Holbrook requested establishing performance metrics and periodically meeting with the Company to evaluate whether the Company purchases are below or above the performance metrics/ benchmarks. He recommended that NEGas, the Division, and the PUC staff collaborate to identify such metrics. Chairman Germani supported the recommendation

6) Commissioner Holbrook stated that the parties should be encouraged to further explore hedging mechanisms to mitigate the increasing cost of purchased gas. He suggested meeting with the parties to discuss, identify, and learn more about risk management mechanisms as a hedging tool. Chairman Germani noted that the current hedging plan in place which was approved by the Commission, is effective and cost efficient. He stated that the Commission's role is to regulate the rates and not to initiate such regulatory policy for the Company. Commissioner Holbrook disagreed with the Chairman, noting that one of the primary responsibilities of the Commission is to ensure that the utility's cost of purchased gas is as low as an efficient purchasing program can provide. He said that any excess cost should be borne by investors, not ratepayers, and that a well managed risk management program could very well result in reducing the cost of purchases. He said that the Commission is remiss in not encouraging the utility and Commission/Division to learn as much about risk management programs in

order to reduce costs.

Mr. Frias volunteered that the gas purchasing program approved by the Commission and employed by New England Gas has resulted in gas costs, excluding transportation costs, to ratepayers that are among the lowest in the nation, and that he would provide conclusive evidence to verify his claim within the next 30 days. Commissioner Holbrook encouraged him to do so and said he would be anxious to review the data.

#### **Other Administrative Matters:**

1) The Commission reviewed the George Wiley Center's Request to Amend the Commission's Rules Governing Termination of Residential Service to consider changing the initial down payment required from 25% to 10% of the customer's unpaid balance after termination of utility service. The requester did not demonstrate that an emergency exists to cause for amendment to the existing rules and therefore, there is no legal basis to grant the request. Further, the Commission has found that a 10% down payment is insufficient to constitute a reasonable payment amount. There is no legal basis to grant the request. Chairman Germani moved to deny the George Wiley's request. The motion was seconded by Commissioner Holbrook and unanimously passed. **Vote 2-0.**

2) After review of and there being no objection filed, Chairman Germani moved to approve the following petitions. The motion was seconded by Commissioner Holbrook and unanimously passed.

- Pawtucket Water Supply Board's Petition for Exemption From the Filing Requirements of Section 2.6(a) of the Rules of Practice and Procedure to use a different rate year (January 1, 2006 to December 31, 2006) for upcoming rate filing to be filed by April 15, 2005. **Vote 2-0.**
- Pawtucket Water Supply Board's Petition for Exemption From the Filing Requirements of Section 2.6(b) of the Rules of Practice and Procedure to use a different test year (July 1, 2003 to June 30, 2004) for upcoming rate filing to be filed April 15, 2005. **Vote 2-0.**
- City of Newport Water Division's Petition for Exemption From the Filing Requirements of Section 2.6(b) of the Rules of Practice and Procedure to use a different test year (July 1, 2003 to June 30, 2004) for upcoming rate filing to be filed on April 15, 2005. **Vote 2-0.**

The open meeting adjourned at 11:05 A.M.